

MINUTES OF THE CAPITAL PLANNING ADVISORY BOARD

November 13, 1996

The third meeting of the Capital Planning Advisory Board (CPAB) in the 1996 calendar year was held on Wednesday, November 13, 1996, at 10:00 a.m., in Room 111 of the Capitol Annex. Representative Fred Nesler, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Fred Nesler, Chairman; Bill Hintze, Vice-Chairman; Representative Lawrence Brandstetter; James Codell; Paul Isaacs; Lou Karibo; Senator Virgil Moore; Senator Denny Nunnolley; Diane Thompson; Laurel True; Ken Walker (representing Gary Cox); and LaChele Ransom (representing Bonnie Howell).

Guests: Gary Cloyd, Workforce Development Cabinet; Shirley Rodgers and Doug Robinson, Kentucky Information Resources Management Commission; Sherron Jackson, Council on Higher Education; M. L. Allen, University of Kentucky; Commissioner Armond Russ, Department for Facilities Management; Kim Blich, Office of Financial Management and Economic Analysis; Allen Holt, Governor's Office for Policy and Management; Jim Clark and Charlotte Tanara, Eastern Kentucky University; Douglas W. Baldwin, Kentucky State University; Donnie Wainscott, Transportation Cabinet; Ron Bingham, Michelle Marshall and Belinda Richardson, EMPOWER Kentucky; Secretary Crit Luallen, Governor's Executive Cabinet; Secretary Ann Latta, Tourism Development Cabinet; Commissioner Mary Ray Oaken, Bob Bender and Hugh Smith, Department of Parks; Joe Ewalt, Lexington-Fayette Urban County Government; Sharon Cantrell, Karen Crabtree and Doug Teague, LRC.

LRC Staff: Pat Ingram, Mary Lynn Collins, Jonathan Downey.

Mr. Isaacs moved to approve the minutes of the Board's August 29, 1996 meeting, as distributed. Mr. Karibo seconded the motion, which passed by voice vote.

Chairman Nesler said there were three information items in the members' folders and asked Pat Ingram, Staff Administrator, to review these items. Ms. Ingram said the first item related to the Department of Juvenile Justice facilities transfers. House Bill 117, passed by the 1996 General Assembly, provided for the creation of a Department of Juvenile Justice in the Justice Cabinet with relevant personnel and facilities to be transferred from the Cabinet for Families and Children to the new department. This transfer is to take place on January 1, 1997. These facilities were previously in the capital plan submitted by the Cabinet for Human Resources; in the

next planning process, they will be addressed by the new Department of Juvenile Justice in the Justice Cabinet capital plan.

The second item contained responses from the retirement systems concerning the potential for investment in office space for state agencies. At the August meeting, the Board discussed a report on the Alabama Retirement System's construction of buildings in which space is leased to state agencies and adopted a motion asking that the Kentucky retirement systems look at what is done in Alabama and the potential for a similar approach in Kentucky. Ms. Ingram said responses received from the Kentucky Employees' Retirement System and the Kentucky Teachers' Retirement System were provided for the members' review. Both address requirements which must be met in the investment of retirement system assets, the unique circumstances of the Alabama arrangement, and some special factors and concerns relevant to the Frankfort/state government real estate market.

The third information item concerned the use of technology for this Board. Staff is currently developing a CPAB homepage on the Internet, which will be available for access by the public through the LRC homepage. This page will contain some information about the Board, the executive summaries of previous statewide capital plans, and some information about the 1996-2002 capital planning process. One item of particular interest will be the ability to post "Frequently Asked Questions" so that as agencies submit their capital plans and have questions, they can access that section of the page and receive answers without having to call and ask those questions. There is also an Internet address that can now be used to contact staff.

Chairman Nesler said at the last meeting staff was given some direction regarding the instructions and forms for the 1996-2002 planning process. The complete set of instructions and forms are before the Board for action today so they can be printed and distributed to the agencies and universities the first of January. Chairman Nesler asked Ms. Ingram to briefly review and explain this material.

Ms. Ingram said KRS Chapter 7A requires that agencies submit information to CPAB in each odd-numbered year "in the format that shall be prescribed by the board." At the last meeting, action was taken on some individual items in the instructions. One of the items approved in August provided that capital equipment items and information technology equipment items and systems be submitted only for the first biennium of the planning period (1998-2000). In August, the Board also voted to require that university plans be submitted directly to CPAB rather than to the Council on Higher Education (CHE); CHE would then submit recommendations on projects included in those university plans.

In developing these forms and instructions, staff has also been working with staff of the Kentucky Information Resources Management (KIRM) Commission, who review computing and communications equipment items and systems and make recommendations to the Board. Based on their suggestions, these instructions reflect

the following changes in this planning process: 1) there is now a separate form for information technology items (SYP-04) rather than being on the same form as equipment items (SYP-03) and 2) the terminology has been changed so the phrase "computing and communications" has become "information technology."

In summarizing the information required to be submitted in the plan, Ms. Ingram said agencies are to describe the capital construction project or equipment item/system, to explain why it is needed, and to identify the cost. The cabinet/agency plans are due to the Board by April 15, 1997. To allow adequate time for the agencies to prepare their plans, the instructions and software will be distributed the first of January. The software is being developed by staff of the Governor's Office for Policy and Management (GOPM). To assist the agencies in understanding the instructions and in the use of the software, all-day training sessions will be held in late January and early February.

In response to a question from Mr. Walker, Ms. Ingram said that the planning instructions and the budget instructions will be as similar as possible. She said that having GOPM staff develop the planning software will also help provide a smooth transition from the planning software to the budget requests.

Mr. Hintze moved that the forms and instructions be approved for distribution to the universities and agencies. Mr. Isaacs seconded the motion, which passed by voice vote.

Chairman Nesler said Ms. Ingram had mentioned the computer software agencies will use to prepare their plans is being developed by staff of GOPM. He said the work of CPAB is a cooperative effort between the branches of government and it is good to see an example of this at the staff level as well. He recognized Terry Haines of the GOPM staff for the hard work and extra effort that he has put forth in developing the new software. He also thanked Mr. Hintze and State Budget Director Jim Ramsey for allowing Terry to work on this project.

Chairman Nesler stated that there were three presentations on the agenda and that these would each serve two purposes: to address the status of recommendations made by the Board in previous statewide capital improvements plans and to provide information to help the Board review the capital plans that will be submitted next April. He then introduced Secretary Crit Luallen of the Governor's Executive Cabinet and Mr. Ron Bingham, Project Manager of EMPOWER Kentucky.

Secretary Luallen said that the CPAB plays an important role in giving some long-term planning order to the state's capital investments. For that reason, she said the Board would play an important role in EMPOWER Kentucky as the concept of reengineering and the merging of reengineering with new technologies can move the state forward and help increase state government efficiency. During the 1996 session, Governor Patton asked the General Assembly's approval to begin this

project. He asked for the ability to spend dollars on technology included in recommendations growing out of the EMPOWER Kentucky process. Those funds were tied to surplus dollars that would be available at the end of fiscal year 1995/96; \$103 million dollars have now been allocated for the EMPOWER Kentucky initiative.

Secretary Luallen stated that the commitment at that time was and remains that the program would work to identify \$50 million in annual recurring savings. The expenditure of funds will be tied to initiatives that will save dollars or enhance revenues to state government. The initial leader of this effort was Margaret Greene, who was Secretary of the Governor's Executive Cabinet at the beginning of the Patton Administration. When she returned to BellSouth in August of this year, the Governor sought one of the state's best and most experienced professionals in reengineering. LexMark International agreed to loan Mr. Ron Bingham, who successfully led the reengineering effort for LexMark in Lexington. He joined the project full-time the first week of August.

The national consulting firm of Deloitte & Touche was hired in July to provide project support for EMPOWER Kentucky. About 25 full time people from Deloitte & Touche are working with 20 teams of state employees, across state government, analyzing various business processes and ways to improve those processes. Secretary Luallen said there were two important points about EMPOWER Kentucky which make it different from anything tried before in state government: 1) the dollars are available to spend on important initiatives identified in the area of technology to increase efficiency and 2) the state employees who do the work are the ones who are designing the new processes. A Steering Committee will determine exactly how these dollars are spent. The Committee includes both Executive Branch members and 4 members of the General Assembly: Senators Robinson and Shaughnessy and Representatives Crall and Moberly. The Steering Committee has met monthly and will continue to meet through the end of the year. There is also a Cabinet Leadership Team of 5 cabinet secretaries that meet on a weekly basis. Secretary Luallen said their cabinets are the ones most critically involved in EMPOWER Kentucky and they have been an important way to maintain momentum in leadership.

Secretary Luallen stated that the Capital Planning Advisory Board's role would be important in the process. EMPOWER Kentucky began examining technology needs by looking at the KIRM list that the Board approved during the last planning process. She also said CPAB had given the concept of technology planning a new priority by its recommendations for strengthening KIRM and by including technology during deliberations on important capital construction and capital planning needs. She said EMPOWER Kentucky was the logical next step to examine more strategically how the state plans for technology, how technology is implemented, and how efforts can be strengthened to ensure that the state is spending every dollar as strategically as possible and not just reaching out for new technology because it is available.

Secretary Luallen said the project has, for the first time, forced cross-agency cooperation and the project is looking at opportunities for further integration and communication. She stated that, through this process, the technology planning effort would be strengthened and that she looked forward to working with CPAB as the program moves forward and as there are recommendations about the direction EMPOWER Kentucky could take in the future. She said the important message that has come forward from the program so far is that they are just scratching the surface; there is great potential for improving the processes by which state government operates and for more strategic analysis of how technology is used and what kinds of technology can be brought into state government. She said the Administration will have recommendations for the General Assembly that will look to institutionalizing EMPOWER Kentucky so that reengineering initiatives can be looked at yearly and integrated with technology planning initiatives.

She stated that the General Assembly was asked for latitude in the expenditure of dollars on EMPOWER Kentucky. Some projects may be in a different priority from that approved by CPAB because they have been taken to a further level of detail and analysis. Some initiatives may be identified that were not on the CPAB list because they are in areas in which an agency may not have previously reported a technology initiative. As the final decisions are made by the Steering Committee in December, Secretary Luallen said she would report back to the Board. The most important factor which might result in some differences in funded versus CPAB-recommended projects is that EMPOWER Kentucky makes the cost benefit analysis the primary consideration. That is the only way the project can realize the \$50 million in annual recurring savings that the Governor has promised.

Mr. Bingham said he would explain how the project is managed, what processes are being reviewed and their progress thus far, and whether the illustrative examples that were in the budget document are being actively considered.

Mr. Bingham said a Process Team for each business process under review contains people familiar with the process and is augmented by people with special skills, such as a financial analyst. Team leaders, called Process Owners, are career employees who have been trained in analytical techniques and methods. They are the individuals who will ensure that these commitments to changes and improvements are met over the long-term. A Leadership Team of key cabinet secretaries provides necessary resources and resolves issues such as disputes over choice of software or equipment. Such decisions are made with compatibility and convergence in mind. For example, in one case the state may be looking at a digital driver's license and in another area the state may be developing the same type of card to be used for electronic benefits. It would be proper to use compatible technology in the event convergence would be possible in the future.

The Communications Project Team meets bi-weekly and is composed of communications specialists from each cabinet. They are responsible for internal

cabinet memoranda and letters which are mailed to all state employees. A lack of knowledge creates anxiety and so communications, including a videotape featuring the Governor, are intended to alleviate this concern. The Change Management Team is responsible for ensuring that as changes are taking place the correct items, such as added customer service, are being tracked to determine the benefits.

The Redesign Steering Committee meets monthly and has two more meetings scheduled. The Committee is in the process of prioritizing projects. One determining factor will be the amount of savings the project returns to the government. Another factor is the service component. For example, there are 11 different types of governmental services that may be provided for eligible children. Currently, all 11 must be applied for separately at different locations. Mr. Bingham said it would be more beneficial to the public if there was only one application for all 11 services.

Mr. Bingham also gave the Board an overview of other expertise that has been brought in to aid in EMPOWER Kentucky. One is a group composed of 4 individuals to assist with prioritization of the revenue-related items. There is also a Finance Committee, chaired by Bonnie Howell, that determines if the savings proposed by a team are real savings which can be captured. He also mentioned the importance of information systems. He said it could be the case that before EMPOWER Kentucky runs out of money to fund these efforts, they may find that the state's information systems are inadequate to provide the needed support.

Mr. Bingham then briefly discussed some of the 20 process teams that are currently active. The Financial Management team is examining how well state funds are collected and invested and how technology can be used to enhance collection of these funds. The Materials Management team is concentrating on the efficiency of the state's purchasing. Simplified Access to Human Services is looking at issues such as the child benefits example cited earlier. The Revenue Cabinet team is attempting to ensure that taxes and revenues are collected equitably. For example, speeding tickets given to out-of-state firms are made available to Revenue so they can determine which companies are using Kentucky roadways and not paying the appropriate usage tax. Natural Resources and Environmental Protection Permitting is examining the possibility of issuing permits electronically. This may be a good opportunity to test such a system and determine its possible use in other agencies.

The overall EMPOWER Kentucky plan must be presented to the Redesign Steering Committee on December 18. The teams must have their individual plans complete by November 22. These process plans must identify the savings, information systems requirements, personnel needed, any additional training required, and the benefit analysis.

Mr. Bingham then reported on the 13 items which were listed in the budget as being potentially eligible for funding under EMPOWER Kentucky: "Agriculture Technology Restructure" was not initially included, but it has since become part of the

project. The team is currently receiving comments and analysis from inspectors to determine what beneficial changes could take place in the inspection process. Teams dealing with "Business Permitting and Licenses" (Natural Resources Cabinet), "Health Care Services" (transportation and public health inspection), "Families and Children" (simplified access and electronic benefits transfer), and "Tax Systems" (Tax Gap and Integrated Tax) are currently active. "Integrated Justice System" is not currently part of the project, but may be included in a later phase. There are several teams involved in the "Financial Management System" area (purchasing and cash management). "One-Stop Job Services" is being developed as a federally-funded project under the Workforce Development Cabinet, not as a part of EMPOWER Kentucky. "Geographic Information Systems", "Kentucky Telelinking Network", and "Century Date Change" are all underway, also outside of the EMPOWER Kentucky project. "Motor Vehicle System" is being reviewed by a process team (possibly changing motor vehicle registration and licensing to a digital system). "Statewide 800 MHz Digital Radio" is not being considered under EMPOWER Kentucky. Finally, the TWIST computer system (which was recommended by CPAB) for the Department for Social Services is operational but has some problems which are being addressed; it is important to learn from this first major implementation of a client-server technology which will have widespread use in the future. This system also emphasizes the need for standards that will enable agencies to use the developing technology.

In response to a question from Chairman Nesler, Mr. Bingham said there are 10 members of the Steering Committee, with Secretary Luallen as Chairperson. Chairman Nesler then asked how the state employees not directly involved in EMPOWER Kentucky are reacting to the project. Mr. Bingham replied that the morale of the people involved in the teams is very high but that this optimism is not reflected in the general workforce. He said he and Secretary Luallen have concentrated on the importance of relieving the anxiety felt by the workforce because when people are not directly involved, they assume the worst, such as downsizing and lay-offs. It has been important to inform employees that this is not the case and he feels the message is getting out. Employees are starting to realize the inherent benefits and that this type of program is required due to rapid advances in technology. He said there is still concern among employees, but it is moderating.

Chairman Nesler noted that, relative to the Human Services area, numerous companies are becoming involved in providing transportation for people who are utilizing state medical assistance. Mr. Bingham said addressing this situation will be a priority due to welfare reform and the increasing need to transport people to job training and job opportunities.

In response to another question from Chairman Nesler, Secretary Luallen said the final report will contain recommendations concerning the future of EMPOWER Kentucky. These will relate to: 1) making the project permanent in some way, 2) streamlining the personnel classification process, and 3) planning and implementing technology in state government. Some of these recommendations will require

legislative approval and will be presented in a special session planned for late spring, 1997.

In response to a question from Chairman Nesler, Mr. Bingham said the universities are not now involved in EMPOWER Kentucky; it is currently emphasizing the operational aspects of state government. Secretary Luallen pointed out that Governor Patton is chairing a task force that is looking at the whole issue of post-secondary education and an important part of that analysis is dealing with technology. Chairman Nesler asked what impact EMPOWER Kentucky would have on KIRM and its recommendations on information technology. Mr. Bingham replied that it would strengthen KIRM due to the need for standardization and making sure systems are compatible.

In responses to questions from Mr. True, Mr. Bingham said that the project is trying to streamline and improve transportation for Medicaid recipients so the state can make the best use of its Medicaid funds. Secretary Luallen said guidelines will be given to transportation providers to ensure efficiencies that do not exist now. There are two areas in the Cabinets for Health Services and Families and Children that converge with the project in important ways. One is moving to managed care for Medicaid services and the other is the mandated welfare reform that came about as a result of federal legislation. Both of these are being integrated with the reengineering and efficiency efforts of EMPOWER Kentucky.

Mr. True said the Board has been very interested in trying to increase efficiency in the housing of state government in Frankfort. He hoped that at some point EMPOWER Kentucky would examine this issue. Secretary Luallen said Finance Cabinet Secretary McCarty has had an internal analysis initiated which is looking at all of the various options available to the state. She said it could become part of an EMPOWER Kentucky analysis where the issue could be examined long-term to see what the cost/benefits are of leasing versus building or leasing with an option to buy.

Mr. Hintze commented that the realm of technology is being enveloped into the broader issue of infrastructure. He said technology would consume a much larger share of time, attention, and budget in the future and it is very appropriate that the Board take the time that it did during this presentation and in the past to look at issues involving the evolution of technology in Kentucky state government and the provision of services in the state. He felt EMPOWER Kentucky was moving in the same direction the Board has been in strengthening KIRM, but that KIRM was still not strong enough yet in terms of being able to deal with cross-agency issues and being able to provide direction and enforce that direction. The Board previously supported KIRM's strengthening and in the future, it may wish to have Mr. Bingham and Secretary Luallen return with some recommendations on how to continue and sustain this momentum and institutionalize this process.

Secretary Luallen added that she would like to involve the Board as EMPOWER Kentucky moves forward with recommendations. When this process began, the teams put up brown paper maps where they analyzed every step that takes place in a process. If there was a problem area, a red flag was placed on the map to show an area that needs improvement because the process is not working well. On the technology process map, the flags were often placed where there were no linkages between technology expenditures and strategic planning. She said there is too little strategic planning going on in many agencies and that, where there is such planning, often the technology plans are not linked to it in a priority way. One of the ways to strengthen KIRM would be to give it more power to ensure that decisions about spending for technology address not only whether the proper equipment is being acquired but also whether the technology is tied to the agency's strategic mission and to a broader statewide technology strategy.

Secretary Luallen said that Kentucky is now seen as a national model. EMPOWER Kentucky is the most comprehensive state reengineering effort that has been attempted and Kentucky has been visited by other states that are looking at its efforts. EMPOWER Kentucky has also been invited to make a presentation at the Institute for Government Technology in Washington. It is a major, far-reaching effort and it is hoped that the work this year will build a base to make EMPOWER Kentucky permanent and on-going. The Governor's goal is not just to make the state more efficient but also to look for ways to increase revenues which can then be invested in more strategic ways. In looking at the long-term budget trends, there will not be tremendous increases in revenues coming into the state. However, there are dramatic needs in higher education, workforce training, and the implementation of KERA. She said funds identified thru EMPOWER Kentucky can be used to address these needs.

Chairman Nesler thanked Secretary Luallen and Mr. Bingham for their report. He said the next presentations would focus on maintenance of state facilities. He welcomed Mr. Ken Walker, CHE Deputy Executive Director for Finance, Facilities, and Data Management; and Mr. Sherron Jackson, also of the CHE staff. Mr. Walker explained that CHE Executive Director Gary Cox, who had been scheduled to make this presentation today, was unable to attend due to the death of his mother Monday.

Mr. Walker stated that maintenance of facilities is primarily the responsibility of the individual institutions rather than the CHE. Expenditure of the operating budgets that are appropriated to the institutions are almost exclusively left to the discretion of the individual Boards of Regents and Trustees and university administrators. There is a general expectation that an institution will routinely assess the condition of its facilities and develop plans for addressing not only major maintenance needs but also routine maintenance needs such as painting and cleaning of facilities. Institutions have addressed the issue of preparing maintenance plans in different ways. Some institutions have developed planning documents and have established long-term

schedules for maintenance projects. Others have developed annual operating schedules of projects that they plan to complete in a short period of time.

He said in the early 1980s and early 1990s universities were subjected to a series of budget reductions due to state revenue shortfalls; facilities maintenance often suffers when such budget reductions occur. In capital projects requests dating back to the early 1980s, institutions have requested extraordinary funding to deal with campus maintenance projects. The CHE has the statutory responsibility for making a biennial capital funding recommendation and for approving individual major capital projects. Since the mid 1980s, the Council has made use of a consulting architect to conduct a series of campus visits, accompanied by Mr. Jackson. The most recent report issued by the consultant in 1995 in anticipation of the 1996-98 biennial budget request stated that despite the series of budget reductions, the general condition of campus facilities has steadily improved. The majority of facilities on university campuses were built in the late 1960s and early 1970s. In some cases, maintenance issues related to the age of these buildings have been dealt with very well, but in some cases they have not. This is primarily the responsibility of the institutions.

For several biennia, the Council's funding recommendations have established general priorities for capital project funding. The top priority has been to address "life-safety" projects to ensure safety of students, faculty, staff, and the general public. The Council has also recommended funding for maintenance projects: in some cases from state funds but more often from agency funds. Over a number of biennia there have been a series of pools appropriated to the Council for subsequent allocation to the institutions to address the life-safety projects. In the current biennium (1996-98), the request presented by the Council to address these projects was not for another pool but for direct appropriation to address specific projects at 4 institutions in the amount of approximately \$12 million. The CHE consultant advised that these were the final major life-safety projects.

For 1996-98, the Council also recommended a pool to address another group of projects: maintenance, government mandates, and technology. The Council recommended providing a matching fund that would have required the institutions to match on a dollar-for-dollar basis approximately \$50 million of state funds. This approach would have allowed institutions freedom to allocate the funds based on their particular needs. This request was not funded, but some variation of it will probably appear during the next biennium. The Council is committed to maintaining the investment that has been made in its existing facilities as a higher priority than construction of new space. There will be instances when new space is needed, but maintaining existing space will be the highest priority.

Mr. Walker described the information contained in the handout distributed to members. This report was created by CHE staff from data that is reported by the institutions. The Council maintains an inventory of buildings and rooms at the institutions and one of the data elements in this inventory is a condition code. The

handout contains information by institution, type of space, and condition code. Mr. Walker said the quality of the data reported varies widely among institutions. Some institutions have all of their facilities coded as "unknown" condition. Others have committed the time and effort to properly code condition of space. The Council relies more heavily on the reviews by the consulting architect and has not used this data element in its assessments or funding recommendations. The Council has encouraged the institutions to take the reporting of this data element more seriously and plans to use this report in working with its architect in the 1998-2000 budget review process.

Mr. True asked why the "Campus Management" measure, which requires "Evidence of periodically updated campus facilities maintenance plan as envisioned by the Capital Planning Advisory Board" had been dropped from future performance funding measures. Mr. Walker replied that this indicator was used in the pilot performance funding project for 1995-96. The performance funding system approved by the Council for 1996-98 did not include this as an item but was replaced by an item called "Effective Use of Resources," which was identified as an optional performance funding indicator. He said that even though it is not a mandated performance funding indicator, the Council still has the expectation that the facilities maintenance plans be created and used by the institutions and made available at the statewide level.

Mr. True asked Ms. Ingram if there were standards to be used in providing the review of existing facilities as required in the overview section of the agency capital plans. She replied that it is open to the agency to provide the description on whatever basis they choose. Mr. True said he thought there should be standards for each agency or institution to use in making the determination in order to provide a more accurate view of statewide facility conditions.

Chairman Nesler asked if there was a particular committee or individual that is responsible for the maintenance and upkeep of the universities. Mr. Walker replied that the Physical Plant Director at each university is responsible for maintenance. Chairman Nesler said he was surprised that when he visits some universities there are buildings that receive very little general upkeep such as cleaning and painting. At Murray State University (MuSU), some of the buildings are in great need of such upkeep. He felt that the President of a university should walk around the campus and see places where repairs of this type are needed. Mr. Jackson said that when touring campuses with the CHE consulting architect, Vice Presidents are sometimes very surprised at the condition of the buildings and will raise questions about why certain conditions exist and why they have not been taken care of. Mr. Jackson said he also felt administrators should take a more active role in looking at facilities on the campus. He added that in the last two agency bond pools, MuSU has requested funds to do major renovations or replacements of dormitories. Mr. Jackson said sometimes institutions make the decision to not put money into buildings that will be undergoing major renovation or replacement in the near future. Chairman Nesler stated that to his knowledge the dormitory at MuSU that was in need of renovation or

replacement is around 30 years old. He said he was surprised that a facility that was built only 30 years ago had been allowed to deteriorate to the point that it may be torn down.

Chairman Nesler said during the last planning process both the Justice Cabinet and Eastern Kentucky University spoke of a plan to construct a new dormitory for students participating in the Department for Criminal Justice Training Program in Richmond. This would replace the former motel owned by the university and rented to house Justice Cabinet students. At that time, renovating the motel was not thought to be cost effective. The Criminal Justice Training students are now being housed in a campus facility while the motel is being repaired. He asked what impact these repairs might have on the plans to build a new facility or if such a facility would still be needed. Mr. Jim Clark from Eastern Kentucky University (EKU) said a new dormitory has been requested twice and would be requested in the next budget. In the last session, the response to the request was that it is probably a good project but there needed to be more planning and consensus building on it. This is currently underway. The Justice Cabinet students will be in Maddox Hall during the spring semester and ECU hopes to have some feedback as to the possibilities of building a new dormitory. This building would be not only a dormitory, but would also contain other student-related facilities. There has been a long-standing practice of cooperation between the Justice Cabinet and ECU, and Mr. Clark said this would continue.

Relative to an earlier question about technology, Mr. Walker said at its November 11 meeting the Council took action to initiate a technology assessment to get a comprehensive understanding of the status of technology implementation on each of the campuses. The assessment will include hardware, communications, and faculty and staff training.

Chairman Nesler thanked Mr. Walker for his presentation. He then introduced Tourism Cabinet Secretary Ann Latta, Parks Commissioner Mary Ray Oaken, and Parks Deputy Commissioner Bob Bender who gave a presentation on maintenance issues at state parks. Secretary Latta said the Department is currently involved in the most comprehensive renovation and construction program in the Parks Department's history. Over the years, activities at the parks have grown by leaps and bounds but the record usage has placed a great strain on the aging infrastructure. Needs have ranged from redecorating lodge rooms to replacing electrical systems and building new sewage treatment plants. The 1994 General Assembly approved \$70 million for design and construction of 55 parks projects and \$1.6 million in design funds for another 15 priority projects. When Governor Patton took office, he promised he would allocate additional funds for the construction of these design-only projects if the state had enough surplus at the end of the 1995/96 fiscal year. As a result of prudent fiscal management, the state budget did have a surplus and the Department received construction funding for 13 additional projects.

There are currently 68 major renovation and construction projects either underway or on the drawing board. Secretary Latta said 9 of the original projects are completed. There are 12 projects under construction, 7 projects have contracts awarded or contracts scheduled to be awarded in the next three weeks, and bid dates have been established for 6 other projects. The remaining projects are in various stages of design and should be under construction later this year or early next year. This will restore our parks to the level expected and demanded by the traveling public. However, completion of these projects does not mean an end for continuing parks improvements. The original list of needed renovation projects compiled by the Parks Department totaled over \$300 million. This was pared down to match the most urgent needs with the available funds. Secondly, this is an aging parks system. Next spring, the new lodge to be opened at Dale Hollow will be the first new lodge in the system in 25 years. Secretary Latta said she hoped future General Assemblies will appropriate maintenance and renovation funding at a level that would enable the Department of Parks to address such needs in a more timely, regularly scheduled manner in order to avoid the need for such a major renovation undertaking.

Currently, maintenance issues are handled through various funding sources. The first source is funds for regular routine, recurring maintenance such as mowing grass, minor repairs, and golf course grooming. These are funded in the Parks Department operating budget and each park is allotted a monthly amount for recurring maintenance. In the fiscal year ended June 30, 1996, the Parks Department expended \$9.1 million for recurring maintenance. The funds for non-recurring maintenance are included in the Department of Parks Capital Construction Budget in a category entitled Miscellaneous Major Maintenance Pool. Projects selected for funding from the maintenance pool cannot exceed \$400,000 each. Priorities selected to be funded from this source are determined by the senior management of the Department after input from all of the park managers and from the central office divisions. An ongoing list of future projects is maintained by the Department and that list is updated for reference when additional funding does become available. The Miscellaneous Major Maintenance Pool Budget totaled \$3.7 million in 1995/96 and over \$4 million in 1996/97.

The third funding source is for other major significant projects which would exceed \$400,000 each. These are also funded in the Department of Parks Capital Construction Budget; they must be approved by the General Assembly and listed as line items in the budget. The last source is the Parks Capital Maintenance and Renovation Fund. This was created through legislation enacted by the 1994 General Assembly that established a separate trust and agency account to be used for the maintenance and renovation of park facilities. Amounts deposited to the Maintenance and Renovation Fund are derived from any increase in fees and charges at the state parks made by the Department and designated by the Parks Commissioner as being for this purpose. Expenditures from this fund must be approved by GOPM. Deposits to that fund since it became operable total \$1.9 million, with deposits obligated to projects totaling \$1.6 million to date.

In response to questions from Chairman Nesler, Mr. Bender said that money is set aside on a monthly basis to each park for recurring maintenance and is determined by analysis of each park. Chairman Nesler said that people in his area of the state were concerned that the state would spend so much to renovate the parks when it appears they should be self-supporting. He said he hoped in the future that the state would do a better job of putting money aside for maintenance than has been done in the past. Secretary Latta replied that the entire Parks system must be considered; there are facilities which do not generate revenue but which still must be maintained. Most resort parks are the major revenue producers. However, there are many non-revenue producing portions of the parks which must be maintained and for which the general public would not wish to pay admission charges.

Chairman Nesler said he felt in some cases the state could do a better job of money management so taxpayers would not be asked for such a large amount of money for repairs and renovations. He suggested the price of lodging at state parks may need to be raised to be more equal to other lodging in the area. Secretary Latta replied that the parks are usually in line with other lodging in the surrounding areas. She felt the General Assembly took the right step toward solving this problem by establishing the Maintenance and Renovation Fund which will allow the Parks system to set aside money for maintenance.

Chairman Nesler said this would be the last meeting for calendar year 1996. The planning timetable approved at the last meeting calls for a 2-day session in mid-July 1997 to review agency capital plans. He suggested having a meeting in April to get an overview of information that will be in the plans, and possibly another meeting in February to discuss more maintenance issues.

There being no further business before the Board, the meeting was adjourned at noon.